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GENERAL

1. Disillusionment prevalent at Vienna Peace Congress:



Vienna Peace Congress

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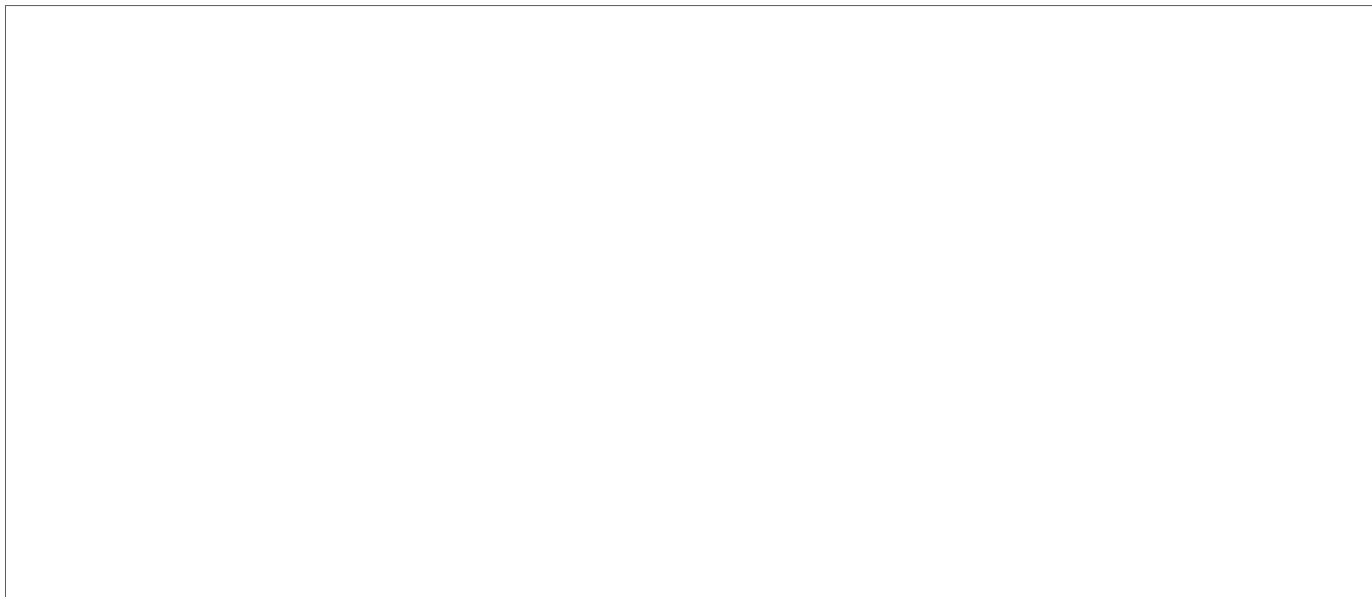
**attendance of delegates at
congress meetings was poor, much to the
consternation of the Communist organizers.**

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Delegates criticized the repetitious speeches, the lack of constructive results and the absence of discussion committees.

**Comment: In attempting to pursue the
Kremlin directive for a "mass organization," the organizers appar-
ently kept the agenda vague in order to win support from the largest
possible number of non-Communists. Consequently, the Congress
suffered from lack of purpose. Satellite delegates were criticized
for treating the occasion as a shopping opportunity, while certain
non-Communists, whose attendance had been encouraged, were not
deterred from making outspoken attacks on Soviet policies.**

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FAR EAST

3. Completion of Chinese Nationalist army reorganization reported:

The combat effective ground strength of the Chinese Nationalist Army has now completed reorganization into ten armies of two divisions each and one separate division,

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It will be July 1953, however, before any of the new armies has completed "large-unit exercise training." A Chinese Nationalist training directive has ordered three divisions to receive amphibious training in 1953, but American officials indicate that it is "still uncertain" when this training will start or whether it can be completed in 1953.

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The report states that the equipment planned to be delivered to these armies is an "austere minimum" for the defense of Formosa and emphasizes that for offensive operations much additional equipment will be required.

SOUTH ASIA

4. Pakistan reportedly would accept invitation to join MEDO:

According to its Acting Foreign Secretary, Pakistan would "jump at the chance" to participate in MEDO. The Secretary stated

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that, in addition to the general approval which would be given to such an invitation, the support of reactionary religious elements could be won by arguing that Pakistan would be helping to defend the Moslem world. Only the Communists would try to prevent acceptance.

Comment: The Acting Foreign Secretary's views may be more optimistic than those of his superiors.

Pakistan has always expressed an interest in MEDO, but until recently has stated that its commitments in Kashmir prevented it from contributing to Middle Eastern defense. It appears that deteriorating economic conditions may have changed Pakistan's attitude and that it might now accept an invitation, provided it was accompanied by an offer of substantial military assistance.

5. Prime Minister Nehru opposes arming of Pakistan by MEDO:

Indian Prime Minister Nehru told Ambassador Bowles on 20 December that if Pakistan's military strength were increased as a result of participation in MEDO, India would be forced to increase its own armaments. Even though the arms were honestly intended for use in "another direction," the instability of the Pakistani Government and the strong reaction to be expected in India would vastly increase the danger of an "explosion" in South Asia.

Comment: India's ability to withstand the pressure to solve the Kashmir issue would be adversely affected by strengthening Pakistan militarily. Aside from the outcry to be expected from government spokesmen and the press, however, it is doubtful that India's attitudes on other international questions would change sufficiently to produce a serious deterioration of relations either with Pakistan or the United States.

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WESTERN EUROPE

8. Comment on the fall of the Pinay government:

French Premier Pinay's resignation will affect American security interests primarily by the inevitable blow to his vital anti-inflation program. The severity of the blow to the program will depend largely on the length of time needed to find a new premier, inasmuch as the preponderance of power in the next government almost certainly will again lie with the "hard money" rightist deputies.

The next regime is not likely to be less favorable to American interests. Unfriendly Gaullist influence is likely to be greater on the next government, but had already become an important factor in Pinay's foreign policy despite Foreign Minister Schuman's friendly attitude. Because a working majority in the National Assembly cannot be found without Foreign Minister Schuman's Popular Republicans, his basic policies will be continued even if Schuman himself is excluded.

Although rumors are current in the Assembly that Pinay expects to return to power in a few months, the American Embassy in Paris states that by walking out he has embittered many supporters, and this may be a grave blow to his political future.

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